

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Johnson & Phillips (Pakistan) Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- I. The Company has not deposited unclaimed dividend amounting to Rs. 4.268 million in a separate bank account designated for this purpose nor does the Company have sufficient fund available in their bank accounts to pay the unclaimed dividend in the event same is demanded by the shareholder.
- II. The provision for gratuity has not been made on the basis of actuarial valuation as required by International Accounting Standards 19 "Employee Benefits" as explained more fully in note 15.1 to the financial statements.
- III. We have not received direct confirmation from legal advisors of the Company regarding cases mentioned in note 19.1 (b) and (c) to the financial statements. In the absence of information regarding the latest position of litigation and claims against the Company, we are unable to ascertain the possible effects of contingencies or other financial effects, if any, on these financial statement that may arise

Except for the adjustment in respect of matter stated above;

- a. in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

- b. in our opinion:

- i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 , and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c. Except for the adjustment in respect of matter stated (I) to (III) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014; and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and:
- d. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that the Company has incurred net loss of Rs.57.798 million for the year and as at 30 June 2015, the Company has accumulated losses of Rs.230.381 million and the equity of the Company is negative by Rs. 123.081 million. These conditions along with other matters as set forth in note 1.2 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements of the Company for the year ended 30 June 2014 were audited by another firm of Chartered Accountants whose report dated October 01st, 2014 expressed a qualified opinion with an emphasize of matter paragraph thereon.

Karachi
10th, October 2015

NAZIR CHAUDHRI & CO.
Chartered Accountants

Engagement Partner: (Abdul Rafay), ACA

JOHNSON & PHILLIPS (PAKISTAN) LIMITED

BALANCE SHEET

AS AT JUNE 30, 2015

| | | 2015 | 2014 Restated | 2013 Restated |
|--|---------------------------------|------------------|------------------|------------------|
| Note | ------(Rupees in thousand)----- | | | |
| <u>ASSETS</u> | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 3 | 192,820 | 201,630 | 210,048 |
| Intangible Assets | 4 | - | - | - |
| Long term investments | 5 | - | - | - |
| Long term deposits | | 940 | 940 | 940 |
| | | 193,760 | 202,570 | 210,988 |
| CURRENT ASSETS | | | | |
| Stock-in-trade | 6 | 45,324 | 65,091 | 106,455 |
| Trade debts - Unsecured, considered good | 7 | 9,009 | 49,806 | 42,209 |
| Loans and advances | 8 | 16,828 | 15,859 | 23,419 |
| Deposits and prepayments - considered good | 9 | 6,844 | 8,630 | 9,490 |
| Advance tax-net of provision | 10 | 2,303 | 1,865 | 1,938 |
| Cash and bank balances | 11 | 1,731 | 1,066 | 9,622 |
| | | 82,039 | 142,317 | 193,133 |
| TOTAL ASSETS | | 275,799 | 344,887 | 404,121 |
| <u>EQUITY AND LIABILITIES</u> | | | | |
| SHARE CAPITAL AND RESERVE | | | | |
| Authorized capital | | | | |
| 8,000,000 (2014: 8,000,000) ordinary shares of Rs. 10 each | | 80,000 | 80,000 | 80,000 |
| Issued, subscribed and paid-up capital | 12 | 54,500 | 54,500 | 54,500 |
| Share premium reserve | | 29,727 | 29,727 | 29,727 |
| General reserve | | 23,073 | 23,073 | 23,073 |
| Accumulated loss | | (230,381) | (180,585) | (157,829) |
| | | (123,081) | (73,285) | (50,529) |
| Surplus on revaluation of property, plant and equipment | 13 | 176,632 | 184,634 | 192,595 |
| NON-CURRENT LIABILITIES | | | | |
| Long term borrowings | 14 | 77,331 | 73,435 | 72,732 |
| Deferred liabilities | 15 | 15,190 | 15,501 | 18,828 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 16 | 121,459 | 136,334 | 162,227 |
| Current and overdue portion of long term borrowings | 17 | 4,000 | 4,000 | 4,000 |
| Mark up accrued | 18 | - | - | - |
| Unclaimed dividend | | 4,268 | 4,268 | 4,268 |
| | | 129,727 | 144,602 | 170,495 |
| Contingencies and commitments | 19 | | | |
| TOTAL EQUITY AND LIABILITIES | | 275,799 | 344,887 | 404,121 |

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shehryar Saeed
Chief Executive

Nabeel Sadiq
Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

| | Note | 2015 (Rupees in thousand) | 2014 Restated |
|---|-------------|--|------------------|
| Revenue from sales and services-net | 20 | 39,230 | 103,813 |
| Cost of sales and services | 21 | (60,488) | (93,075) |
| Gross profit | | (21,258) | 10,738 |
| Distribution cost | 22 | (2,134) | (1,735) |
| Administrative expenses | 23 | (30,489) | (40,620) |
| Other income | 24 | 485 | 2,903 |
| | | (53,396) | (28,714) |
| Finance cost | 25 | (5,819) | (3,346) |
| Loss before taxation | | (59,215) | (32,060) |
| Taxation | 26 | 1,417 | 321 |
| Loss for the year | | (57,798) | (31,739) |
| | | -----Rupees--- | |
| Loss per share - basic and diluted | 27 | (10.61) | (5.82) |

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shehryar Saeed
Chief Executive

Nabeel Sadiq
Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 | 2014 |
|---|------------------------|------------------------|
| Note | (Rupees in thousand) | Restated |
| Loss after taxation for the year | (57,798) | (31,739) |
| Items that will not be reclassified to profit and loss account in subsequent periods | | |
| Recognition of actuarial (losses) on retirement benefit obligation due to implementation of IAS 19 (Revised) - net of tax | - | 981 |
| Total comprehensive loss | <u>(57,798)</u> | <u>(30,758)</u> |

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shehryar Saeed
Chief Executive

Nabeel Sadiq
Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

| | | 2015 | 2014 |
|---|------|----------------------|----------------|
| | Note | (Rupees in thousand) | |
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 28 | 3,596 | (4,032) |
| Taxes paid | 10 | (438) | (1,023) |
| Gratuity paid | | (577) | (509) |
| Finance cost paid | | (5,787) | (2,643) |
| Net cash from operating activities | | (3,206) | (8,207) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | 3 | (25) | (369) |
| Proceeds from disposal of property, plant and equipment | | - | 20 |
| Net cash (used in) investing activities | | (25) | (349) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term borrowing | | 3,896 | - |
| Net cash generated from financing activities | | 3,896 | - |
| Net increase in cash and cash equivalents | | 665 | (8,556) |
| Cash and cash equivalents at beginning of the year | | 1,066 | 9,622 |
| Cash and cash equivalents at end of the year | | <u>1,731</u> | <u>1,066</u> |

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shehryar Saeed
Chief Executive

Nabeel Sadiq
Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

| | Issued, subscribed and paid-up capital | Capital reserve Share premium reserve | General reserve | Revenue reserve (Accumulated loss) | Total |
|---|---|---|--------------------|---|------------------|
| | ----- (Rupees in thousand) ----- | | | | |
| Balance as at June 30, 2013 | 54,500 | 29,727 | 23,073 | (157,829) | (50,529) |
| Total comprehensive loss for the year ended June 30, 2014 | | | | | - |
| Net loss for the year ended June 30, 2014 - restated | | | | (31,739) | (31,739) |
| Other comprehensive revenue for the year ended June 30, 2014 | - | - | - | 981 | 981 |
| | | | | (30,758) | (30,758) |
| Transfer from surplus on revaluation of property, plant and equipment - restated | - | - | - | 8,002 | 8,002 |
| Balance as at June 30, 2014 - restated | 54,500 | 29,727 | 23,073 | (180,585) | (73,285) |
| Total comprehensive loss for the year ended June 30, 2015 | | | | | |
| Net loss for the year ended June 30, 2015 | | | | (57,798) | (57,798) |
| Other comprehensive income for the year ended June 30, 2015 | - | - | - | - | - |
| | | | | (57,798) | (57,798) |
| Transfer from surplus on revaluation of property, plant and equipment | - | - | - | 8,002 | 8,002 |
| Balance as at June 30, 2015 | 54,500 | 29,727 | 23,073 | (230,381) | (123,081) |

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shehryar Saeed
Chief Executive

Nabeel Sadiq
Director

JOHNSON & PHILLIPS (PAKISTAN) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1 STATUS AND NATURE OF BUSINESS

- 1.1** Johnson and Phillips (Pakistan) Limited (the Company) was incorporated in Pakistan as a public limited company on April 15, 1961 and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. The registered office of the Company is situated at C-10, South Avenue, SITE, Karachi. The Company is principally engaged in manufacturing, installing and selling of electrical equipments. Etheridge Company Limited, held 2,719,536 (2014: 2,719,536) ordinary share of Rs. 10 each of the Company as at year end, which constitute 49.90% of total share issued.
- 1.2** The Company has incurred loss after tax of Rs. 57.798 million (2014: Rs. 31.739 million) during the year, which has increased accumulated losses amounting to Rs. 230.381 million (2014 Rs. 180.585 million) and has resulted in negative equity of Rs. 123.081 million (2014: Rs. 73.285 million) as at June 30, 2015. The Company has negative net current assets of Rs. 47.688 million (2013: Rs. 2.285 million).

In spite of the above stated circumstances the management of the Company still considers that the going concern assumption used for the preparation of these financial statements is appropriate in view of the following major facts:

- i) The Company already has its obligations rescheduled in respect of long term loans and financial arrangements, including repayment of principal and accumulated markup thereon with various lenders at terms referred to in note 14.2, 14.3 and 14.4 of these financial statements.
- ii) Efforts are underway to obtain orders so that sales volume as well as profitability can be maintained and the management expects favorable improvements during the year ending June 30, 2016. The Strategic Business Revival Plan put forward by Management is approved by Board of Directors and will be presented before General Meeting for shareholders approval. According to which Company relocate its assets /operations /manufacturing to Lahore and maintain only Marketing/Sales and Service facility to facilitate its established customers.
- iii) The Board has provided in past continued support to the Company and has indicated commitment in order to maintain the going concern status of the Company. This support is evident from the fact that a Director had in the past continued to provide loan and financial support to the Company.

The management of the Company is confident that the above factors shall enable the Company to continue as going concern for foreseeable future; hence, these financial statements have been prepared on going concern assumption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 and the directives issued by SECP shall prevail.

2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention except lease hold land, building and plant and machinery which are stated at revalued amount.

2.1.3 Standards, Amendments Or Interpretations Which Became Effective During The Year

During the year certain amendments to Standards and new interpretations became effective; however, they did not have any material affect on these financial statements of the Company.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach in determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plants a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

2.2 Critical Accounting estimates and judgments

The preparation of the financial statement in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the company's financial statements are as follows.

i) Employee benefits

The Company operates an approved non contributory gratuity scheme for all its employees. The scheme entitles the members to a gratuity payable on retirement, death in his service of the employer, voluntary retirement and termination of employee by the employer other than for misconduct and negligence.

ii) Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. Company follow revaluation policy after every five years.

iii) Taxation

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note 2.5 to these financial statements.

2.3 Compensated absences

Liability in respect of accumulated compensated absences of employees is accounted for in the period in which these absences occur.

2.4 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the balance sheet date. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

2.5 Taxation

a) Current

Provision of current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax also includes adjustments, where considered necessary, for provision for tax made in previous years, arising from assessment framed during the year, for such years.

b) Deferred

The Company accounts for deferred taxation for all material timing differences. The amount is computed using the balance sheet liability method. Debit balances on account of deferred taxation are recognised only if there is reasonable certainty for realisation.

2.6 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether billed or not to the Company.

2.7 Provisions

Provisions are recognised when the Company has the present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed and adjusted to reflect current best estimate.

2.8 Investments

These are stated at cost less provision for diminution on carrying value as determined by the management.

2.9 Property, plant and equipment and depreciation

a) Owned

These are stated at cost less accumulated depreciation except for leasehold land, building on leasehold land and plant & machinery which are stated at revalued amount less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life as stated in Note 3. Depreciation on additions and disposals of assets during the year is charged from the month of acquisition to the month of disposal.

Maintenance and normal repairs are charged to income, as and when incurred.

Major renewals are capitalized and the assets so replaced, if any, are retired.

Profit and loss on disposal of assets is included in income currently.

b) Leased

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amounts of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated by applying straight line method over the estimated useful lives of the assets as stated in note 3.

Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation of leased assets is charged to current year's income as part of depreciation.

2.10 Intangible assets

Expenditure incurred to acquire software license is capitalized as intangible assets and stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized applying the straight line method. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

2.11 Consumable stores

These are valued at average cost and net realizable value less provision for slow moving stores.

2.12 Stock in trade

These are stated at the lower of average cost and net realizable value. Average cost in relation to finished goods and work-in-process represents prime cost and includes appropriate portion of manufacturing expenses.

Net realizable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs of completion and cost necessary to be incurred in order to make the sale.

2.13 Trade debts, loans, advances, deposits, prepayments and other receivables

Trade debts, loans, advances, deposits, prepayments and other receivables are stated at cost. Provision is made against those considered doubtful by the management, whereas, those considered irrecoverable are written off.

2.14 Warranties

The management estimates at each balance sheet date a liability that could arise as a result of the Company's obligation to repair and replace products under warranty. The provision for warranty is accounted for in the periods in which sales are made and no provision is recognised if the chances of warranty claims are remote.

2.15 Foreseeable losses on orders in hand

Provision is made for all known or expected losses at completion on orders in hand.

2.16 Transaction with related parties

The Company enters into transactions with related parties for purchase of goods and services. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

2.17 Impairment losses

The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

2.18 Revenue recognition

Sales are recorded on delivery of goods to the customers and in case of exports when shipped. Income from installation and repair projects are recognized as the work is completed and accepted by the customers.

2.19 Borrowing cost

Borrowing cost and other related cost directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that takes a necessarily substantial periods of time to get ready for their intended use, are added to the cost of those assets, until such times as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

2.20 Cash and cash equivalents

For the purpose of cash flow statement cash and cash equivalents consists of cash in hand and balances with banks.

2.21 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the income currently.

2.22 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set-off the recognised amounts and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.23 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis and are disclosed as accrued interest/mark up to the extent of the amount remaining unpaid.

2.24 Dividend

Dividend is recognized in the financial statement in the period in which these are approved.

2.25 Prior period error

Recording of deferred taxation on surplus on revaluation of fixed assets

As discussed in note 3.1 to the financial statements the Company carried out revaluation of its certain fixed assets in June 2013. The increase in carrying amount of these fixed assets was credited to surplus on revaluation of fixed assets. However, deferred tax relating to surplus on revaluation was not recorded in the financial statements of the previous year as per the requirements of International Accounting Standard 12 "Income Taxes". This error has been corrected retrospectively and the comparative figures have been restated in accordance with IAS - 8 "Accounting policies, changes in accounting estimates and errors". Further, the management has presented three years balance sheet in accordance with requirements of IAS-1 "Presentation of Financial Statements". However, this correction of error does effect any component of equity as at 30 June 2013 as reported in the financial statements for the year ended 30 June 2014, therefore, these balances have been stated as reported. Details of correction of error are as follows:

| | As per audited financial statements | Effect of prior period error | Restated amount |
|--|--|---------------------------------|-----------------|
| -----Rupees in thousands----- | | | |
| Effects of prior period error on financial statements for the year ended 30 June 2013 | | | |
| Balance sheet | | | |
| Surplus on revaluation of property, plant and equipment | 204,884 | (12,289) | 192,595 |
| Deferred taxation | - | 12,289 | (12,289) |
| Effects of prior period error on financial statements for the year ended 30 June 2014 | | | |
| Balance sheet | | | |
| Surplus on revaluation of property, plant and equipment | 197,449 | (12,815) | 184,634 |
| Deferred taxation | - | 10,791 | 10,791 |
| Accumulated loss | (182,609) | 2,024 | (180,585) |
| Profit & Loss account | | | |
| Taxation | (1,096) | 1,417 | 321 |
| Loss per share - basic and diluted | (6.08) | 0.26 | (5.82) |

3 PROPERTY, PLANT AND EQUIPMENT

| | Lease hold Land | Building on lease hold land | Plant and machinery | Gas and electric installations | Factory tools | Vehicles | Furniture and fixtures | Office and other equipments | Total |
|---------------------------------|--------------------|-----------------------------------|------------------------|--------------------------------------|------------------|----------|------------------------------|-----------------------------------|----------|
| ----- Rupees in thousands ----- | | | | | | | | | |
| As at 01 July 2013 | | | | | | | | | |
| Cost | 170,000 | 25,600 | 14,610 | 1,178 | 3,843 | 11,314 | 4,320 | 11,955 | 242,820 |
| Accumulated depreciation | (143) | (213) | (174) | (1,148) | (3,843) | (11,314) | (4,319) | (11,618) | (32,772) |
| Net book value | 169,857 | 25,387 | 14,436 | 30 | - | - | 1 | 337 | 210,048 |
| Year Ended 30 June 2014 | | | | | | | | | |
| Opening net book value | 169,857 | 25,387 | 14,436 | 30 | - | - | 1 | 337 | 210,048 |
| Additions during the year | - | - | - | - | - | 355 | - | 14 | 369 |
| Disposals | | | | | | | | | |
| Cost | - | - | - | - | - | (29) | - | - | (29) |
| Accumulated depreciation | - | - | - | - | - | 29 | - | - | 29 |
| | - | - | - | - | - | - | - | - | - |
| Depreciation for the year | (4,000) | (2,560) | (2,087) | (14) | - | (15) | - | (111) | (8,787) |
| Closing net book value | 165,857 | 22,827 | 12,349 | 16 | - | 340 | 1 | 240 | 201,630 |
| Useful Life (Years) | 99 | 10 | 7 | 10 | 5 | 4 | 5 | 5 | |
| As at 01 July 2014 | | | | | | | | | |
| Cost | 170,000 | 25,600 | 14,610 | 1,178 | 3,843 | 11,640 | 4,320 | 11,969 | 243,160 |
| Accumulated depreciation | (4,143) | (2,773) | (2,261) | (1,162) | (3,843) | (11,300) | (4,319) | (11,729) | (41,530) |
| Net book value | 165,857 | 22,827 | 12,349 | 16 | - | 340 | 1 | 240 | 201,630 |
| Year Ended 30 June 2015 | | | | | | | | | |
| Opening net book value | 165,857 | 22,827 | 12,349 | 16 | - | 340 | 1 | 240 | 201,630 |
| Additions during the year | - | - | - | - | - | - | - | 25 | 25 |
| Depreciation for the year | (4,000) | (2,560) | (2,087) | (4) | - | (85) | - | (99) | (8,835) |
| Closing net book value | 161,857 | 20,267 | 10,262 | 12 | - | 255 | 1 | 166 | 192,820 |
| As at 30 June 2015 | | | | | | | | | |
| Cost | 170,000 | 25,600 | 14,610 | 1,178 | 3,843 | 11,640 | 4,320 | 11,994 | 243,185 |
| Accumulated depreciation | (8,143) | (5,333) | (4,348) | (1,166) | (3,843) | (11,385) | (4,319) | (11,828) | (50,365) |
| Net book value | 161,857 | 20,267 | 10,262 | 12 | - | 255 | 1 | 166 | 192,820 |
| Useful Life (Years) | 99 | 10 | 7 | 10 | 5 | 4 | 5 | 5 | |

3.1 The previous revaluations were carried out on March 31, 1995, June 30, 2004 and June 17, 2008 which resulted in a surplus of Rs 42.642 million, surplus of Rs 73.464 million and Rs. 104.097 million and impairment of Rs. 0.855 million respectively. Further, latest revaluation of leasehold land, building on leasehold land and Plant & Machinery were revalued on June 12, 2013. The revaluation was incorporated in books on June 30, 2013, following the elimination method. The revaluation exercise was conducted by M/s Asif Associates (Private) Limited, a valuer on approved list of Pakistan Bankers Association, on market value basis.

The last revaluation of leasehold land, Building and Plant & Machinery resulted in a surplus of Rs. 31.776 million. The carrying amount of the above mentioned assets as at 30 June 2015, if the said had been carried at historical cost would have been as follows:

| Asset category | Cost | Accumulated Depreciation | Written down Value |
|---------------------------------|--------|-----------------------------|--------------------------|
| ----- Rupees in thousands ----- | | | |
| Lease hold Land | 61 | 27 | 34 |
| Building on lease hold land | 13,081 | 11,272 | 1,809 |
| Plant and machinery | 30,018 | 28,224 | 1,794 |

3.1.1 The depreciation charge for the year has been allocated as follows:

| | Note | 2015 | | 2014 |
|----------------------------|------|----------------------|--|--------------|
| | | (Rupees in thousand) | | |
| Cost of sales and services | 21 | 7,068 | | 7,030 |
| Administrative expenses | 23 | 1,767 | | 1,757 |
| | | 8,835 | | 8,787 |

2015
2014
Note (Rupees in thousand)

3.2 Cost of fully depreciated assets

| | | |
|-------------------------------|--------|--------|
| Gas and electric installation | 1,037 | 1,037 |
| Factory tools | 3,843 | 3,843 |
| Vehicles | 11,640 | 11,640 |
| Furniture and fixtures | 4,320 | 4,320 |
| Office and other equipments | 11,361 | 11,361 |
| | 32,201 | 32,201 |

4 Intangible Asset

| | COST | | | AMORTIZATION | | | Written down Values as at June 30, 2015 | Useful life (years) |
|---------------------------------|------------------------|-------------------------|------------------------|------------------------|-----------------|------------------------|---|---------------------------|
| | As at July 01, 2014 | Additions / disposal | As at June 30, 2015 | As at July 01, 2014 | For the year | As at June 30, 2015 | | |
| ----- Rupees in thousands ----- | | | | | | | | |
| Computer Software | 129 | - | 129 | 129 | - | 129 | - | 5 |
| | 129 | - | 129 | 129 | - | 129 | - | |

5 LONG TERM INVESTMENTS

In shares of unquoted subsidiaries companies:(at cost)

Johnson & Phillips Industries (Pakistan) Limited 30,000 30,000

3,000,000 fully paid ordinary shares of Rs.10 each
[Break-up value as at June 30, 2015 was Nil (June 2014:Nil)]
The Company held 100% of the investee's total equity.)
Chief Executive Mr. Shehryar Anwar Saeed

Johnson & Phillips Transformers (Private) Limited 21,000 21,000

2,100,000 fully paid ordinary shares of Rs.10 each
[Break-up value as at June 30, 2015 was Nil (June 2014:Nil)]
The Company held 70% of the investee's total equity.
Chief Executive Mr. Nabeel Sadiq

Johnson & Phillips EMO Pakistan (Private) Limited 510 510

51,000 fully paid ordinary shares of Rs.10 each
[Break-up value as at June 30, 2015 was Nil (June 2014:Nil)]
The Company held 51% of the investee's total equity.
Chief Executive Mr. Shehryar Anwar Saeed

Share Application money

Johnson & Phillips Industries (Pakistan) Limited 20,000 20,000

71,510 71,510

Provision for diminution in value of investments (71,510) (71,510)

-

-

5.1 Value of the above investments, based on the net assets of the investee companies as per latest available audited financial statements of the investee companies was as follows:

| | | |
|---|----------|----------|
| Johnson & Phillips Industries (Pakistan) Limited | (38,478) | (38,427) |
| Johnson & Phillips Transformers (Private) Limited | (32,416) | (32,362) |
| Johnson & Phillips EMO Pakistan (Private) Limited | (3,357) | (3,314) |

| | 2015 | 2014 |
|--|------|----------------------|
| 6 STOCK-IN-TRADE | Note | (Rupees in thousand) |
| Raw material and components in hand - Gross | | 42,442 |
| Less: provision for obsolete/ slow moving items | | (12,132) |
| | | 27,557 |
| Work-in-process | | 32,611 |
| Finished goods | | 2,170 |
| | | 45,324 |
| 7 TRADE DEBTS | | |
| Trade debts - <i>unsecured, considered good</i> | | 49,806 |
| | | 9,009 |
| 8 LOANS AND ADVANCES | | |
| Loans to subsidiary companies - unsecured Considered doubtful | | |
| Johnson & Phillips Industries (Pakistan) Limited (JPI) | 8.1 | 14,685 |
| Johnson & Phillips Transformers (Private) Limited (JPT) | 8.2 | 13,107 |
| Johnson & Phillips EMO Pakistan (Pvt.) Limited (EMO) | 8.3 | 2,896 |
| | | 40,837 |
| Less Provision against doubtful loans | | (30,688) |
| | | - |
| Advances - Unsecured - Considered good | | |
| To suppliers | | 3,318 |
| To employees | | 418 |
| Against purchase of land | | 2,717 |
| Others | | 71 |
| | | 4,240 |
| Sales tax refundable | | 14,485 |
| Less: Provision for doubtful advances | | (2,433) |
| Less: Provision for advance against land | | (2,717) |
| | | 16,828 |
| 8.1 Reconciliation of loan amount due from JPI | | |
| Opening | | 4,593 |
| Disbursed | | 10,092 |
| Closing | | 14,685 |
| Less: provision | | (14,685) |
| | 8.4 | - |
| 8.2 Reconciliation of loan amount due from JPT | | |
| Opening | | 12,994 |
| Disbursed | | 113 |
| Closing | | 13,107 |
| Less: provision | | (13,107) |
| | 8.5 | - |
| 8.3 Reconciliation of loan amount due from EMO | | |
| Opening | | 2,864 |
| Disbursed | | 32 |
| Closing | | 2,896 |
| Less: provision | | (2,896) |

- 8.4** The maximum amount of loan due from JPI at the end of any month during the year was Rs. 24.738 million (2014: Rs. 14.685 million).
- 8.5** The maximum amount of loan due from Johnson & Phillips Transformers (Private) Limited at the end of any month during the year was Rs. 13.160 million (2014: Rs. 13.107 million).
- 8.6** The maximum amount of loan due from Johnson & Phillips EMO Pakistan (Private) Limited at the end of any month during the year was Rs. 2.939 million (2014: Rs. 2.896 million).

2015 2014
Note **(Rupees in thousand)**

9 DEPOSITS AND PREPAYMENTS - Considered good

Prepayments - 126

Deposits

| | | |
|------------------------------------|--------------|-------|
| Margin against bank guarantee | 5,843 | 7,402 |
| Deposit with court | 723 | 723 |
| Other receivable | 50 | 50 |
| Tender deposits - net of provision | 228 | 329 |
| | 6,844 | 8,504 |
| | 6,844 | 8,630 |

10 ADVANCE TAX - NET OF PROVISION

| | | |
|-----------------------------------|--------------|-------|
| Balance receivable as at 1st July | 1,865 | 1,938 |
| Paid / adjusted during the year | 438 | 1,023 |
| | 2,303 | 2,961 |

Less: Provision for the year

| | | |
|-----------|---|-------|
| - current | - | 1,038 |
| - prior | - | 58 |
| | - | 1,096 |

Closing balance **2,303** 1,865

11 CASH AND BANK BALANCES

| | | |
|-------------------------------|--------------|-------|
| Cash in hand | 43 | 106 |
| At bank - in current accounts | 1,665 | 938 |
| - in saving accounts | 23 | 22 |
| | 1,731 | 1,066 |

12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| (Number of shares) | | | | |
|---------------------------|-----------|--|---------------|--------|
| 2015 | 2014 | | | |
| 4,638,268 | 4,638,268 | Ordinary shares of Rs. 10 each fully paid in cash | 46,383 | 46,383 |
| 93,000 | 93,000 | Ordinary shares of Rs. 10 each issued for consideration other than cash. | 930 | 930 |
| 718,704 | 718,704 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 7,187 | 7,187 |
| 5,449,972 | 5,449,972 | | 54,500 | 54,500 |

| 13 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | Note | 2015 (Rupees in thousand) | 2014 Restated |
|---|-------------|--|------------------|
| Leasehold land | | | |
| Revaluation surplus over written down value at beginning | | 166,012 | 169,965 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | | (3,953) | (3,953) |
| | | 162,059 | 166,012 |
| Factory building | | | |
| Revaluation surplus over written down value at beginning | | 19,899 | 23,046 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | | (2,331) | (2,331) |
| Related deferred tax liability of incremental depreciation charged during the year | | (816) | (816) |
| | | 16,752 | 19,899 |
| Related deferred tax liability at beginning | | (7,250) | (8,066) |
| Less: related to incremental depreciation | | 816 | 816 |
| | | (6,434) | (7,250) |
| Plant and machinery | | | |
| Revaluation surplus over written down value at beginning | | 9,514 | 11,833 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | | (1,718) | (1,718) |
| Related deferred tax liability of incremental depreciation charged during the year | | (601) | (601) |
| | | 7,195 | 9,514 |
| Related deferred tax liability at beginning of the year | | (3,541) | (4,142) |
| Less: related to incremental depreciation | | 601 | 601 |
| | | (2,940) | (3,541) |
| | | 176,632 | 184,634 |

| 14 LONG TERM BORROWINGS | Note | 2015 (Rupees in thousand) | 2014 |
|--|-------------|--|-------------|
| Loans from others-unsecured | | | |
| Loan from others | 14.1 | 4,000 | 4,000 |
| Loan-1 | | | |
| Principal | 14.2 | 8,408 | 8,408 |
| Accumulated mark-up there on | | 9,219 | 8,313 |
| | | 17,627 | 16,721 |
| Loan -2 (from Director) | | | |
| Principal | 14.3 | 21,182 | 20,377 |
| Accumulated mark-up there on | | 3,454 | 3,507 |
| | | 24,636 | 23,884 |
| Loan-3 | | | |
| Principal | 14.4 | 18,650 | 18,650 |
| Accumulated mark-up there on | | 16,418 | 14,180 |
| | | 35,068 | 32,830 |
| | | 81,331 | 77,435 |
| Less: current and overdue portion | 17 | (4,000) | (4,000) |
| Markup accrued | 18 | - | - |
| Less: current and overdue portion | | (4,000) | (4,000) |
| | | 77,331 | 73,435 |
| 14.1 | | | |
| Represents unsecured loan taken by the Company at an interest rate of 12% per annum which was repayable in installments of Rs. 500,000 per month starting from October 2006. As the loan remained unpaid till the year ended June 30, 2007, a fresh agreement was made by the parties on June 30, 2007. According to the fresh agreement dated June 30, 2007 the effective date of repayment, which was October, 2006, was extended to July, 2008. | | | |
| 14.2 | | | |
| Represents an unsecured loan from an individual. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2016. The mark-up will be charged at the rate of Twelve months KIBOR plus 2% per annum (2014: 12% per annum) . An other unsecured loan amounting to Rs. 5.00 million taken in past and according to the agreement dated June 30, 2015, the loan carries mark-up @Twelve months KIBOR per annum and will be repaid in Twenty four equal quarterly installments commencing from July 01, 2016. Total markup charged on loans during the year was Rs. 0.906 million (2014: Rs. 0.855 million). | | | |
| 14.3 | | | |
| Represents an unsecured loan from a Director. During the year an agreement has been signed to reschedule the loan. According to the fresh agreement dated June 30, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in Twenty Four equal quarterly installments commencing from July 01, 2016. The mark-up will be charged at the rate of KIBOR plus 2% per annum (2014: 12% per annum) . An other unsecured loans amounting to Rs. 7.797 million taken in past and Rs. 3.0 million taken during the year. According to the fresh agreements dated June 30, 2015, the loans carry mark-up @ KIBOR+2% per annum, which will be repaid in twenty four quarterly installments commencing from July 01, 2016 and markup on these loans will be paid on monthly basis. Total markup charged on loans during the year was Rs.2.695 million (2014: Rs. 2.439 million). | | | |
| 14.4 | | | |
| Represents an un-secured loan from a private company. During the year an agreement has been signed to reschedule the loan. According to the agreement dated July 01, 2015 the parties have agreed that the aggregate amount of loan (Principal and mark-up accumulated thereon up to June 30, 2015) will be repaid in twenty four equal quarterly installments commencing from July 01, 2016. The mark-up rate on this loan is KIBOR plus 2% per annum (2014: 12% per annum). The total mark-up charged on the loan during the year was Rs. 2.238 million (2014: 2.238 million). | | | |
| 15 DEFERRED LIABILITIES | | | Restated |
| Staff gratuity | 15.1 | 5,816 | 4,710 |
| Deferred taxation | 15.2 | 9,374 | 10,791 |
| | | 15,190 | 15,501 |

values determined by actuarial valuation method would not be materially differ from the amounts provided in the books of accounts.

| 15.2 DEFERRED TAXATION | Note | 2015 (Rupees in thousand) | 2014 |
|--|-------------|--|-------------|
| Taxable temporary differences | | | |
| Surplus on revaluation of fixed assets | | 9,374 | 10,791 |
| Deductible temporary differences | | | |
| Accelerated tax depreciation | | (2,969) | (2,568) |
| Carried forward tax losses and unabsorbed depreciation | | (86,423) | (68,436) |
| | | (89,392) | (71,004) |
| | | (80,018) | (60,213) |
| Deferred tax asset not recognised | | 89,392 | 71,004 |
| | | 9,374 | 10,791 |

Deferred tax asset on tax losses available for carry forward is not recognised as management is of the view that sufficient taxable profits will not be available in future that there benefit is realised.

16 TRADE AND OTHER PAYABLES

| | | | |
|----------------------------|--|----------------|---------|
| Creditors | | 106,849 | 127,046 |
| Accrued liabilities | | 3,509 | 2,927 |
| Advances from customers | | 9,099 | 4,278 |
| Payable to ex-employees | | 802 | 892 |
| Provident fund | | 40 | 52 |
| Unclaimed gratuity payable | | 894 | 894 |
| Tax deducted at source | | 46 | 86 |
| Others | | 220 | 159 |
| | | 121,459 | 136,334 |

17 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS

| | | | |
|------------------------------|------|--------------|-------|
| Loan from others - unsecured | 14.1 | 4,000 | 4,000 |
| | | 4,000 | 4,000 |

18 MARK UP ACCRUED

| | | | |
|------------------------------------|------|----------------|---------|
| Opening balance | | - | - |
| Accrued during the year | | 5,787 | 3,293 |
| | | 5,787 | 3,293 |
| Paid / transferred during the year | 18.1 | (5,787) | (3,293) |
| Closing balance | | - | - |

18.1 These have been paid or rescheduled as disclosed in note 14 to these financial statements.

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

a) Guarantees

The banks have issued guarantees, on behalf of the Company as detailed below:

| | | | |
|-------------------------------------|--|--------------|-------|
| Guarantees against performance bond | | 5,520 | 7,402 |
|-------------------------------------|--|--------------|-------|

b) Labour

Some legal cases are pending against the Company filed by ex-workers in respect of their claims. The aggregate amounts involved in these cases are Rs. 0.987 million. (2014: 0.987 million).

c) Others

1. Pursuant to a recovery suit filed by the National Bank of Pakistan against Johnson & Phillips Transformers (Pvt.) Limited (Defendant No.1) and Johnson & Phillips (Pakistan) Limited (Defendant No.2), the Banking Court No. III, Lahore passed a compromise decree.

The Bank agreed that prior to executing the Decree against the Defendant No.2 as guarantor, the Bank will execute against all assets of the Defendant No. 1. Some payments has been made to the Bank while the remaining amount of Rs. 25,894 thousand is still payable. The execution proceedings in this case are now pending before the Banking Court No. III.

2. The Company has filed a suit for the recovery of insurance claim of Rs 3.734 million (2014: Rs 3,734 million) in Honorable High Court of Sindh Karachi against the EFU General Insurance Limited and M/s Hanilay & Co. (Private) Limited.

| 19.2 Commitments | Note | 2015 | 2014 |
|--|-------------|-----------------|-------------|
| (Rupees in thousand) | | | |
| There is no commitment as on June 30, 2015 (2014 : Nil) | | | |
| 20 SALES AND SERVICES (NET) | | | |
| Gross sales | | 39,893 | 105,506 |
| Sales tax and special excise duty | | (663) | (1,626) |
| Commission and discount on sales | | - | (67) |
| | | (663) | (1,693) |
| | | 39,230 | 103,813 |
| 21 COST OF SALES AND SERVICES | | | |
| Raw materials and components consumed | | | |
| Opening stock | | 42,442 | 45,865 |
| Purchases and sub contract cost | | 21,917 | 32,851 |
| | | 64,359 | 78,716 |
| Closing stock | | (38,201) | (42,442) |
| | | 26,158 | 36,274 |
| Salaries, wages and benefits | 21.1 | 9,250 | 9,818 |
| Insurance | | 505 | 81 |
| Fuel and power | | 1,281 | 1,211 |
| Repair and maintenance | | 293 | 55 |
| Inspection and testing | | 48 | 1 |
| Printing and stationery | | 24 | 43 |
| Traveling and conveyance | | 209 | 338 |
| Depreciation | 3.1.1 | 7,068 | 7,030 |
| Provision for Obsolete/ Slow moving Stocks | | (1,488) | (1,620) |
| Other manufacturing expenses | | 126 | 283 |
| | | 17,316 | 17,240 |
| | | 43,474 | 53,514 |
| Work in process | | | |
| Opening stock | | 32,611 | 67,225 |
| Closing stock | | (17,446) | (32,611) |
| | | 15,165 | 34,614 |
| Cost of goods manufactured | | 58,639 | 88,128 |
| Finished goods | | | |
| Opening stock | | 2,170 | 7,117 |
| Closing stock | | (321) | (2,170) |
| | | 1,849 | 4,947 |
| | | 60,488 | 93,075 |

| | | 2015 (Rupees in thousand) | 2014 |
|---|-------------|------------------------------|---------------|
| 21.1 Salaries, wages and benefits | Note | | |
| Salaries and wages | | 9,093 | 9,837 |
| Gratuity | | 64 | (138) |
| P.F Contribution (Worker & Staff) | | 93 | 119 |
| | | <u>9,250</u> | <u>9,818</u> |
| 22 DISTRIBUTION EXPENSES | | | |
| Salaries, wages and benefits | 22.1 | 758 | 950 |
| Late delivery charges and penalties | | 789 | 224 |
| Advertising and sales promotion | | 83 | 67 |
| Travelling and conveyance | | 134 | 84 |
| Subscriptions and periodicals | | 48 | 116 |
| Repair and maintenance | | 61 | 122 |
| Entertainment | | 42 | 91 |
| Printing and stationery | | 23 | 10 |
| Others | | 196 | 71 |
| | | <u>2,134</u> | <u>1,735</u> |
| 22.1 Salaries, wages and benefits | | | |
| Salaries & wages | | 734 | 945 |
| Gratuity | | 12 | (7) |
| P.F Contribution-Staff | | 12 | 12 |
| | | <u>758</u> | <u>950</u> |
| 23 ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and benefits | 23.1 | 7,349 | 5,031 |
| Travelling and conveyance | | 1,279 | 2,344 |
| Legal and professional charges | | 433 | 933 |
| Rent, rates and taxes | | 1,365 | 1,170 |
| Repair and maintenance | | 809 | 786 |
| Printing and stationery | | 390 | 268 |
| Postage, telegram, telephone and telex | | 799 | 952 |
| Light and power | | 1,501 | 1,505 |
| Entertainment | | 931 | 1,428 |
| Subscriptions and periodicals | | 621 | 674 |
| Advertisement | | 76 | 130 |
| Auditors' remuneration | 23.2 | 413 | 410 |
| Annual general meeting | | 46 | 22 |
| Insurance | | 183 | 637 |
| Provision for doubtful loans and advances | | 10,149 | 19,980 |
| Depreciation | 3.1.1 | 1,767 | 1,757 |
| Provision for doubtful tender deposits | | - | 353 |
| Others | | 2,378 | 2,241 |
| | | <u>30,489</u> | <u>40,621</u> |
| 23.1 Salaries, wages and benefits | | | |
| Salaries and wages | | 5,591 | 5,246 |
| Gratuity | | 1,607 | (335) |
| P.F Contribution-Staff | | 151 | 120 |
| | | <u>7,349</u> | <u>5,031</u> |

| | | 2015 | 2014 |
|--|--|-----------------------------|------------------|
| 23.2 Auditors' remuneration | Note | (Rupees in thousand) | |
| Annual audit fee | | 250 | 250 |
| Review of half yearly financial statements | | 60 | 60 |
| Review of consolidated financial statements | | 60 | 60 |
| Certification and others | | 15 | 15 |
| Out of pocket expenses | | 28 | 25 |
| | | <u>413</u> | <u>410</u> |
| 24 OTHER INCOME | | | |
| Liabilities no more payable written back | | - | 2,575 |
| Gain on disposal of property, plant and equipments | | - | 20 |
| Mark-up on saving accounts | | 19 | 1 |
| Others | | 466 | 307 |
| | | <u>485</u> | <u>2,903</u> |
| 25 FINANCE COST | | | |
| Mark-up on unsecured long term loans | | 5,787 | 3,293 |
| Bank charges and commission | | 32 | 53 |
| | | <u>5,819</u> | <u>3,346</u> |
| 26 TAXATION | | | Restated |
| Current year | 26.1 | - | 1,038 |
| Prior year | | - | 58 |
| Deferred tax | | (1,417) | (1,417) |
| | | <u>(1,417)</u> | <u>(321)</u> |
| 26.1 | Income tax assessments of the Company upto tax year 2014 is deemed to have been completed. There is no tax applicable on taxable profits of the Company under the provision of Income Tax Ordinance, 2001 due to available assessed tax losses. Accordingly, no reconciliation of tax expense with accounting profit has been presented. | | |
| 27 LOSS PER SHARE | | | |
| There is no dilutive effect on the basic earnings per share of the company, which is based on: | | | |
| Loss after taxation | | <u>(57,798)</u> | <u>(31,739)</u> |
| Weighted average number of ordinary shares | | <u>5,449,972</u> | <u>5,449,972</u> |
| Loss per share - basic and diluted | | <u>(10.61)</u> | <u>(5.82)</u> |

| | Note | 2015 (Rupees in thousand) | 2014 |
|---|-------|------------------------------|----------------|
| 28 CASH GENERATED FROM OPERATIONS | | | |
| Loss before taxation | | (59,215) | (32,060) |
| Adjustments for: | | | |
| Depreciation | 3.1.1 | 8,835 | 8,787 |
| Gain on disposal of Property, plant and equipments | 24 | - | (20) |
| Provision for doubtful loans and advances | | 10,149 | 19,980 |
| Provision for staff gratuity - net | | 1,683 | (479) |
| Liabilities no more payable written back | 24 | - | (2,575) |
| Finance cost | 25 | 5,787 | 3,346 |
| | | <u>(32,761)</u> | <u>(3,021)</u> |
| Effect on cash flow due to working capital changes | | | |
| Decrease /(Increase) in current assets | | | |
| Stock-in-trade | | 19,767 | 41,364 |
| Trade debts | | 40,797 | (7,597) |
| Loans and advances | | (11,118) | (12,419) |
| Deposits and prepayments - considered good | | 1,786 | 860 |
| | | 51,232 | 22,208 |
| Decrease in current liabilities | | | |
| Trade and other payables excluding unclaimed gratuity | | (14,875) | (23,218) |
| Cash generated from operations | | <u>3,596</u> | <u>(4,032)</u> |

29 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest financial statements of the Fund:

| | Unaudited June 30, 2015 | Unaudited Dec 31, 2014 |
|---------------------------------|-----------------------------|---------------------------|
| | ----Rupees in thousands---- | |
| Size of the fund - Total assets | 6,948 | 7,680 |
| Cost of the Investment made | 6,000 | 6,000 |
| Percentage of investments made | 86% | 78% |
| Fair value of the investments | 6,000 | 6,000 |

Break-up of the fair value of investments is:

| | June 30, 2015 Unaudited | Dec 31, 2014 Unaudited | June 30, 2015 Unaudited | Dec 31, 2014 Unaudited |
|---------------------------|-----------------------------|---------------------------|----------------------------|---------------------------|
| | ----Rupees in thousands---- | | | |
| Certificate of Investment | 6,000 | 6,000 | 86% | 78% |

29.1.1 The investments out of the Company have been made in accordance with the provisions of sections 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

30 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management frame work. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversee how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by internal Audit. Internal Audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported to the Audit Committee.

30.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects the Company's of counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arise principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date is as follows:

| | 2015 | 2014 |
|--------------------------------------|----------------------|--------|
| | (Rupees in thousand) | |
| Long term deposits | 940 | 940 |
| Trade debts | 9,009 | 49,806 |
| Loans and advances | 16,828 | 489 |
| Trade deposits and other receivables | 6,844 | 8,856 |
| Bank balances | 1,688 | 960 |
| | 35,309 | 61,051 |

Impairment losses

The aging of trade debtors at the balance sheet date was:

| | 2015 | | 2014 | |
|------------------------|----------------------|------------|----------------------|------------|
| | Gross | impairment | Gross | impairment |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Not past due | - | - | - | - |
| Past due 1 - 60 days | 541 | - | 2,743 | - |
| Past due 61 - 365 days | 6,012 | - | 33,123 | - |
| More than one year | 2,456 | - | 13,940 | - |
| Total | 9,009 | - | 49,806 | - |

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of up to one year does not require any impairment provision other than to the extent determined above.

Bank balances are held only with reputable banks with high quality credit ratings.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

| | Carrying amount | Total | Contractual Cash Flows | | |
|--------------------------|-----------------|----------------|------------------------|------------------|--------------------|
| | | | On demand | Upto one year | More than one year |
| Long term financing | 81,331 | 81,331 | - | (4,000) | (77,129) |
| Trade and other payables | 121,459 | 121,459 | (1,911) | (119,548) | - |
| Unclaimed dividend | 4,268 | 4,268 | (4,268) | - | - |
| June 30, 2015 | 207,058 | 207,058 | (6,179) | (123,548) | (77,129) |
| Long term financing | 77,435 | 77,435 | - | (4,000) | (73,435) |
| Trade and other payables | 136,334 | 136,334 | (1,786) | (134,548) | - |
| Unclaimed dividend | 4,268 | 4,268 | (4,268) | - | - |
| June 30, 2014 | 218,037 | 218,037 | (6,054) | (138,548) | (73,435) |

The Contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at June 30. The rate of mark-up have been disclosed in note 14 to these financial statements.

30.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objectives of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is exposed to currency risk and interest rate risk only.

Interest rate risk

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offered Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

| 2015 | 2014 | 2015 | 2014 |
|-----------------------------|------|---------------------------|------|
| Effective interest rate (%) | | Carrying amount(Rs.'000') | |

Financial liabilities

| | | | | |
|---------------------|-----------------------------|-----------------------------|--------|--------|
| Long term financing | 12%, KIBOR and KIBOR +2% | 12%, KIBOR and KIBOR +2% | 81,331 | 77,435 |
|---------------------|-----------------------------|-----------------------------|--------|--------|

Sensitivity analysis

As at balance sheet date, the Company does not account for any fixed rate financial assets or liabilities carried at fair value through profit or loss. Therefore, change in interest rates at reporting date would not affect profit and loss account.

30.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

31 CAPITAL MANAGEMENT

The objective of the Company when managing capital i.e. its shareholders' equity and surplus on revaluation on property, plant and equipment, is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the lights of changes in economic conditions. As at June 30, 2015 the negative shareholders' equity amounts to Rs. 123.081 million (2014: Rs. 73.285 million).

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

| | Chief Executive | | Directors | | Total | |
|---|-----------------|--------------|--------------|------------|--------------|--------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| ----- Rupees in thousands ----- | | | | | | |
| Managerial Remuneration | 1,680 | 960 | 120 | 120 | 1,800 | 1,080 |
| Retirement benefits and provident fund contribution | 140 | 80 | - | - | 140 | 80 |
| Rent, utilities, leave encashment etc. | 2,249 | 1,262 | 3,368 | 742 | 5,617 | 2,004 |
| | 4,069 | 2,302 | 3,488 | 862 | 7,557 | 3,164 |
| No. of persons | 1 | 1 | 6 | 6 | 7 | 7 |

32.1 The chief executive and one directors are also provided with free use of company maintained cars.

33 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties are as follows:

| | 2015 | 2014 |
|---|----------------------|--------|
| | (Rupees in thousand) | |
| Loan advanced to wholly owned subsidiary company | 24,738 | 14,685 |
| Payments made on behalf of subsidiaries companies | 96 | 145 |
| Contribution paid to Provident Fund Trust | 256 | 502 |

All transactions with related parties have been carried out by the Company at arm's length prices using the comparable uncontrolled price method.

34 PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends on the relative proportions of the various types and sizes of products manufactured according to required specifications.

35 DATE OF AUTHORIZATION

These financial statements were authorized for issue on Dated. 10th, October 2015 by the Board of Directors of the Company.

36 GENERAL

Figures have been rounded off to the nearest thousand rupee.

Shehryar Saeed
Chief Executive

Nabeel Sadiq
Director